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AUDITOR OF STATE

200 W. Washington St; Room 240  
Indianapolis, Indiana 46204



MEMORANDUM

**To:** County Auditors

**From:** Kim Diller, Local Government Division Director

**Date:** May 28, 2020

**Subject:** Financial Institutions Tax Distribution

The Auditor of State (AOS) has processed the 2020 Financial Institutions Tax (FIT) distribution. These funds should appear in your designated bank account within the next few days. The FIT distribution must be deposited/quietus into the FIT Fund (SBOA fund 6051) and then redistributed to eligible tax units within your county.

[IC 6-5.5-8-2](#) outlines the procedures for calculating and distributing FIT to eligible tax units within your county. FIT is required to be distributed to taxing units at the same time that the county auditor makes the semiannual distribution of real property taxes to the tax units.

The AOS Fiscal Year 2020 FIT distribution report provides the apportionment calculation for each county's FIT. The AOS FIT report can be found on the AOS website [here](#). The 2020 title is derived from the state's fiscal year ending June 30, 2020 not calendar year 2020.

The AOS FIT report contains:

- The previous state fiscal year (SFY) FIT revenue;
- The total FIT distributions amount, listing by name and levy type of all of the taxing units that had a calendar year (CY) 2012 FIT guaranteed distribution amount;
- The 2012 FIT guaranteed distribution amount;
- The full fiscal year allocation of the total FIT distributed;
- The December 2019 distribution amount; and
- The June 2020 distribution amount.

The AOS FIT distribution report lists only those taxing units eligible to receive FIT distributions. Taxing units that do not qualify for a FIT distribution are not listed on the AOS report.

The total amount distributed to your county should match the county total amount in the June 2020 distribution column.

**Welfare and School Allocation Deductions:** This deduction applies only to counties and schools. For counties and schools, the 2012 guaranteed distribution amount is not the same as the 2012 FIT final distribution amount. The guaranteed distribution amount is the amount before the welfare and school allocation deductions. (For more information on the welfare and school allocation please contact the Department of Local Government Finance (DLGF).

**Levy Freeze Counties:** Counties that have adopted Local Income Tax (LIT) for property tax operating levy freeze are required to add the LIT property tax levy freeze equivalency rates with the certified tax rates to determine each fund's share of FIT. This is accomplished by using the DLGF calculated 2020 LIT equivalency rates which can be found by clicking your specific county on the DLGF website.

**Distribution to Taxing Units by Fund:** The FIT distribution to taxing units by fund is calculated by following the four steps below. The calculation requires using the 2019 pay 2020 certified property tax rates for each taxing unit (by fund) and the AOS FIT report.

**Step One – Calculate the Allocation Factor:** The allocation factor for each taxing unit is calculated by dividing the June 2020 distribution amount for the taxing unit (from the AOS FIT report) by either (i) the taxing units total 2019 pay 2020 certified property tax rate for all funds or (ii) for levy freeze counties, the 2019 pay 2020 certified property tax rate plus the total 2019 pay 2020 LIT equivalency rates for each fund.

**Township Civil & Fire Allocations:** Townships have a separate FIT allocation for both the civil property tax funds and the fire/EMS property tax funds. The civil township fund rates are the township rates **excluding** the fire/EMS rates. For township taxing units, the civil allocation factor is calculated by dividing the civil amount shown on the FIT report by the total of the township taxing unit fund rates **excluding** the fire/EMS fund(s) rates. The fire allocation factor is determined by dividing the fire amount shown on the report by the total of **only** the township fire/EMS fund(s) rates.

**Also note -** The taxing unit total tax rate is not the same as the total taxing district rate. The taxing unit total tax rate is the total of **only** the funds of the taxing unit. (Tax unit is a governmental entity with authority to levy a tax and a tax district represents a geographical area in which all property is taxed uniformly)

**Fire Territory Note –** If a fire territory exists, then the fire territory rate(s) is (are) included in the allocation of FIT for the provider taxing unit and each participating taxing unit. If a fire territory tax rate(s) is(are) part of the taxing district rates, then a fire territory exists and the fire territory rate(s) must be included in the allocation of FIT for the provider taxing unit and each participating taxing unit. The participating taxing unit(s) will determine if the amount is sent on to the fire territory.

**Step Two – Calculate Distribution by Fund:** For each taxing unit the distribution by fund is calculated by multiplying the taxing unit's allocation factor (determined in step one) by either (i) the 2019 pay 2020 certified property tax rate for each taxing unit fund or (ii) for levy freeze counties, the 2019 pay 2020 certified property tax rate plus the 2019 pay 2020 LIT equivalency rates for each fund.

**Step Three – Review Calculation:** For each taxing unit, sum the fund amounts determined in step two to calculate the total distribution to the taxing unit. Compare the calculated distribution to each taxing unit to the AOS FIT report – June 2020 Distribution amount for each taxing unit.

The amount calculated should agree to the AOS FIT report. Any small variances, usually less than one dollar (\$1.00), could be attributed to rounding. Any rounding differences will need to be allocated back to the taxing unit funds. The method of allocating the rounding amount can be determined by the county auditor, but needs to be well documented.

**Step Four – Create Form 22:** Along with each taxing unit's share of FIT, a certificate of tax distribution (Form 22) labeled "June 2020 FIT Distribution" must be provided. The Form 22 must show the FIT amount for each fund.

If you have questions on this process, please contact the Local Government Division at [localgovernment@auditor.in.gov](mailto:localgovernment@auditor.in.gov) or call Kim Diller at 317.232.3309.